

Processed Food Imports Surpass Exports in 1998

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U.S. exports of processed food and beverages fell 6 percent in 1998 to \$29.4 billion from a record \$31.3 billion in 1997. This was the first decline in processed food exports after over two decades of steady growth. Processed food accounts for well over half of total U.S. agricultural exports.

In contrast, processed food imports continued to grow in 1998, increasing 5.8 percent to a record \$32.0 billion. Imports exceeded U.S. exports of processed food by \$2.6 billion, resulting in the first trade deficit since 1991 (fig. 1). U.S. processed food trade surpluses had narrowed in each of the previous 3 years. The United States had trade surpluses of \$1.0 billion, \$2.4 billion, and \$4.4 billion in 1997, 1996, and 1995, respectively.

The trade deficit for processed foods is expected to widen in 1999. Processed food exports fell another 8.8 percent during the first half of 1999. On the other hand, a strong U.S. economy finds Americans spending their rising incomes on French wines, Canadian seafood, and other imported foods and bev-

erages. Imports of processed food grew 6.7 percent in the first half of 1999 over the first half of 1998. As a result, the processed food trade deficit was \$2.6 billion for the first 6 months of 1999, and could surpass \$5 billion for the full year.

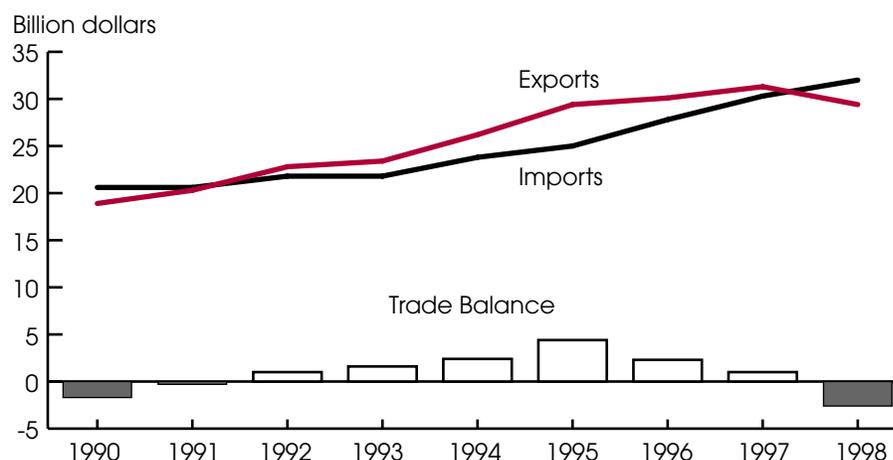
This article examines exports and imports of processed foods, beverages, and related products that fall under the Standard Classification Code 20 for Food and Kindred Products (SIC-20). SIC-20 contains 49 separate food processing industries, including fish and seafood, distilled liquors, animal feeds, pet food, and fats and oils. The processing may be minor, such as for tomato paste, or more extensive, such as for frozen, prepared dinners.

Exports Decline in 1998...

After growing 4 percent in 1997, processed food exports declined 6 percent in 1998. The decline was broad-based; 32 processed food industries had lower exports in 1998 compared with 1997 (table 1). Only two of the top 10 export industries had larger exports in 1998 than in 1997. Canned fruit and vegetable exports were up 3 percent, and rice milling exports inched up 1 percent in 1998.

Meatpacking (including hides and skins) saw 1998 exports decline 10 percent to \$5.2 billion, down for the third straight year, yet retained its top ranking. Most of the 3-year decline came from lower sales of

Figure 1
U.S. Processed Food Trade Deficit First Since 1991



Source: USDA's Economic Research Service.

The author is an agricultural economist with the Food and Rural Economics Division, Economic Research Service, USDA.

Table 1
Most U.S. Food Exports Declined Between 1997 and 1998

Industry ¹	Exports		Change	
	1997	1998	1996-97	1997-98
	<i>Million dollars</i>		<i>Percent</i>	
Meatpacking	5,754	5,199	-4.2	-9.6
Soybean oil mills	3,176	2,997	49.3	-5.6
Poultry processing	2,532	2,255	-2.1	-10.9
Fresh or frozen fish and seafood	2,270	1,683	-8.8	-25.9
Wet corn milling (oil and syrup)	1,596	1,481	1.0	-7.2
Other food preparations	1,288	1,218	5.8	-5.4
Canned fruits and vegetables	1,114	1,144	7.6	2.7
Salted and roasted nuts and seeds	1,030	976	-15.9	-5.3
Frozen fruits and vegetables	879	872	6.8	-.8
Rice milling	814	822	-10.7	.9
Animal and marine fats and oils	792	894	-10.9	12.9
Flavorings, extracts, and syrups	774	700	-1.7	-9.6
Dry, condensed, and evaporated milk	758	747	39.3	-1.5
Dried fruits and vegetables	704	671	4.2	-4.7
Distilled and blended spirits	691	544	.6	-21.3
Prepared animal feed	624	553	5.2	-11.4
Pet food	621	681	16.3	9.6
Vegetable oil milling	482	537	10.4	11.4
Chocolate and cocoa products	434	390	8.6	-10.2
Wines, brandy, and brandy spirits	423	543	28.2	28.3
Malt beverages	418	338	-7.8	-19.1
Sausage and prepared meats	386	357	160.0	-7.4
Processed fishery products	339	345	-19.4	1.8
Flour and grain mill products	330	296	-5.3	-10.4
Sauces and salad dressings	309	301	9.7	-2.7
Soft drinks and carbonated water	259	260	20.2	.6
Bread and other bakery products	248	276	8.0	11.4
Candy and other confectionery products	234	218	23.8	-6.8
Potato chips	225	303	1.3	34.7
Roasted coffee	214	225	7.3	5.1
Breakfast cereals	183	229	3.1	25.3
Shortening and cooking oils	151	176	11.3	16.6
Blended and prepared flours	147	137	5.6	-6.9
Cookies and crackers	134	121	15.9	-9.7
Natural and processed cheese	123	117	17.7	-5.1
Cane and beet sugar	175	159	38.6	-9.1
Ice cream and frozen desserts	90	87	-4.4	-3.0
Cottonseed oil milling	88	73	10.5	-17.2
Chewing gum	86	81	37.2	-5.3
Canned specialties	85	75	-1.8	-12.1
Other frozen specialties	72	43	25.7	-40.4
Frozen bakery products, except bread	64	62	3.6	-3.3
Pasta products	56	113	31.7	103.3
Fluid milk	51	43	19.6	-15.2
Malt	48	44	8.3	-9.2
Creamery butter	26	14	-37.5	-46.1
Manufactured ice	7	8	47.5	21.0
Total, all industries	31,305	29,410	3.9	-6.1

¹These industries correspond to the 49 classified in the Standard Industrial Classification Code 20 (SIC-20).
Source: USDA's Economic Research Service.

hides and skins; 1998 also saw lower meat sales to South Korea and Japan. Poultry exports were down 11 percent, reflecting sharply lower sales to Russia.

Exports of fresh and frozen fish fell for 3 consecutive years due to poor U.S. fish harvests and weak demand in Japan and several other countries. Fresh and frozen fish exports had the largest dollar decline of all processed food industries, falling \$586.8 million, or 26 percent.

Still, there were several bright spots in the export picture. Many highly processed products continued to show strong export performance in 1998. Bread and other bakery exports increased 11 percent to \$276 million; breakfast cereals were up 25 percent to \$229 million; potato chips, up 35 percent to \$303 million; shortening and cooking oils, up 17 percent to \$176 million; and pasta exports more than doubled from \$56 million to \$113 million.

Wine and brandy exports also continued their strong growth, up 28 percent in both 1998 and 1997, following a 34-percent increase in

1996. However, malt beverage exports declined 19 percent in 1998, while distilled spirits exports decreased 21 percent.

... as Asian and European Countries Cut Back on U.S. Purchases

Japan is the largest export market for U.S. processed food, but its share of U.S. exports has been falling for the last 3 years from 24 percent in 1996 to 19 percent in 1998 (table 2). Exports to Japan fell 12 percent in 1998 following an 11-percent decline in 1997. During this same 3-year period, Canada's share of U.S. exports rose from 15 to 18 percent, while Mexico's share increased from 7 to 10 percent.

One reason for the decline in processed food exports was the sharp decline in U.S. exports to the seven "Asia Crisis" countries (South Korea, Taiwan, the Philippines, Singapore, Thailand, Indonesia, and Malaysia). Exports to South Korea and Taiwan, both among the United States' top 10 export markets, fell 38 percent and

21 percent, respectively, in 1998. Exports declined to the remaining Asia Crisis countries by the following amounts: Philippines, 12 percent; Singapore, 25 percent; Thailand, 27 percent; Indonesia, 51 percent; and Malaysia, 33 percent.

Other weak spots for U.S. exports in 1998 were Hong Kong, off 17 percent; Russia, down 30 percent; and most countries in Europe. Exports to the Netherlands and France declined the most—24 percent and 22 percent, respectively. China was the only Asian country with an increase in U.S. exports in 1998—up 30 percent over 1997.

The outlook for markets for 1999 exports differs widely from 1998. Many countries reversed their 1998 purchase patterns during the first half of 1999. While exports to all seven Asia Crisis countries declined in 1998, exports increased to all seven during the first half of 1999. Exports to the largest markets, South Korea and Taiwan, were up 40 and 18 percent. Exports to the smaller markets of Malaysia and Indonesia were up 48 and 50 percent, while exports to the Philippines, Thailand, and Singapore rose

Table 2

Japan and Canada Are the Largest Markets for U.S. Processed Foods

Market	Exports		Share of processed food exports	Change	
	1997	1998		1996-97	1997-98
	Million dollars		Percent	Percent	
Japan	6,433.8	5,672.9	19.3	-10.8	-11.8
Canada	5,027.6	5,250.0	17.9	10.5	4.4
Mexico	2,399.1	2,853.5	9.7	19.6	18.9
Hong Kong	1,280.0	1,060.1	3.6	14.6	-17.2
South Korea	1,533.8	947.6	3.2	1.5	-38.2
United Kingdom	862.4	850.3	2.9	4.1	-1.4
China (Mainland)	649.3	841.3	2.9	16.8	29.6
Russia	1,163.7	819.7	2.8	-9.2	-29.6
The Netherlands	849.8	649.3	2.2	-9.2	-23.6
China (Taiwan)	818.1	643.1	2.2	8.5	-21.4

Source: USDA's Economic Research Service.

from 4 percent to 8 percent. China saw a major reversal with exports diving from a 30-percent increase in 1998 to -62 percent in the first half of 1999, largely due to a sharp decline in soybean oil sales to China.

Latin America went from an increasingly strong market for U.S. exports in 1998 to a declining market in the first half of 1999. Exports to Mexico fell 5 percent; Brazil, off 35 percent; Venezuela, down 10 percent; and Chile, down 37 percent. On top of this, exports to Russia continued a rapid decline. U.S. processed food exports to Russia fell 83 percent in the first half of 1999, following a 30-percent decline in 1998.

In addition, Europe is expected to remain a weak export destination in 1999. Exports for the first half of 1999 declined, ranging from 9 percent for the United Kingdom to 44 percent for Italy. Only the Netherlands had an increase in U.S. exports, 6 percent in the first half of 1999, following a 24-percent decrease in 1998.

Import Growth Continues

Imports to the United States increased in 1998 but at a slower rate than in the previous 2 years. Imports grew 5.8 percent, down from 9 percent in 1997 and 11 percent in 1996. Import growth was spread broadly across the food processing sector—only 12 of the 49 food processing industries had a decline in imports (table 3). Among the top 10 import industries, only 2 (canned fruits and vegetables, and vegetable oil milling) had lower imports in 1998 than in 1997.

Fresh and frozen fish remains the United States' largest processed food import, up almost 4 percent to



Credit: Port of Long Beach

\$6.5 billion. (Fish is also our fourth largest food export.) Fish imports come primarily from Canada, Thailand, Mexico, Ecuador, Chile, and China.

Imports of meatpacking products reached \$3 billion in 1998, less than half the value of U.S. fish and seafood imports. In addition to being the second-largest import industry, meatpacking is the largest U.S. processed food export industry. While the United States primarily exports fresh and frozen cuts of beef and pork, imports are largely frozen ground beef in bulk containers and lamb from Australia and New Zealand.

The third-, fourth-, and fifth-largest import industries are all alcoholic beverages. Imports of wines and brandy, distilled spirits, and malt beverages into the United States grew by 10 percent, 5 percent, and 14 percent, respectively, in 1998. Collectively, these three industries account for 18 percent of total U.S. processed food imports. Major sources of alcoholic beverage imports are Canada, France, United

Kingdom, Italy, the Netherlands, and Mexico. Wine and distilled spirits account for three-quarters of all processed food and beverage imports from France, while distilled spirits and malt beverages make up two-thirds of total processed food imports from the United Kingdom. Canned fruits and vegetables dropped from the third-largest import industry in 1996 to seventh place as imports fell 14 percent in 1998.

Pasta imports were up 7 percent to \$312 million in 1998, following a 9-percent increase in 1997, despite the opening of a large pasta manufacturing plant in Ames, Iowa, by Italy's largest pasta manufacturer and exporter to the United States. America continued to satisfy its sweet tooth as chocolate and cocoa product imports rose 13 percent in 1998, on top of a 6-percent increase in 1997. In addition, candy and confectionery products were up 17 percent, while imports of cookies and crackers jumped 34 percent in 1998.

Table 3

Leading Processed Food Import Industries

Industry ¹	Imports		Change	
	1997	1998	1996-97	1997-98
	Million dollars		Percent	
Fresh or frozen fish and seafood	6,300	6,531	15.9	3.7
Meatpacking	2,850	3,024	14.1	6.1
Wines, brandy, and brandy spirits	2,031	2,239	17.8	10.3
Distilled and blended spirits	1,772	1,851	3.4	4.5
Malt beverages	1,514	1,732	12.9	14.4
Chocolate and cocoa products	1,471	1,666	5.1	13.3
Canned fruits and vegetables	1,799	1,555	3.9	-13.6
Processed fishery products	1,327	1,493	13.1	12.5
Vegetable oil milling	1,516	1,443	2.9	-4.8
Other food preparations	1,219	1,432	11.5	17.4
Cane and beet sugar	1,095	884	-8.7	-19.3
Frozen fruits and vegetables	743	855	1.6	15.1
Dry, condensed, and evaporated milk	583	669	-6.2	14.8
Natural and processed cheese	548	635	-6.1	15.8
Candy and other confectionery products	452	530	8.4	17.3
Salted and roasted nuts and seeds	493	518	10.8	5.1
Soft drinks and carbonated water	485	504	25.0	4.0
Sauces and salad dressings	343	381	7.5	11.1
Roasted coffee	315	372	4.7	18.1
Dried fruits and vegetables	315	363	15.0	15.2
Cookies and crackers	266	355	18.8	33.5
Bread and other bakery products	364	343	1.1	-5.9
Pasta products	292	312	8.6	6.8
Wet corn milling (oil and syrup)	266	303	-6.7	13.9
Prepared animal feed	244	228	-.8	-6.6
Rice milling	207	195	27.0	-5.8
Animal and marine fats and oils	186	162	24.0	-12.9
Pet food	144	149	13.4	3.5
Breakfast cereals	151	139	23.8	-7.9
Sausage and prepared meats	134	137	-1.5	2.2
Blended and prepared flours	83	112	38.3	34.9
Shortening and cooking oils	87	108	6.1	24.1
Chewing gum	101	108	18.8	6.9
Frozen bakery products, except bread	81	102	6.1	25.9
Flavorings, extracts, and syrups	106	98	-10.5	-7.5
Canned specialties	70	88	22.8	25.7
Flour and grain products	91	83	-14.2	-8.8
Creamery butter	20	73	122.2	265.0
Soybean oil milling	65	55	-21.7	-15.4
Poultry processing	46	53	1.0	15.2
Manufactured ice	24	50	-6.6	108.3
Potato chips	33	42	10.0	27.3
Malt	21	17	-8.7	-19.0
Fluid milk	10	15	11.1	50.0
Other frozen specialties	8	8	33.3	0
Cottonseed oil milling	*	8	*	*
Ice cream and frozen desserts	4	7	16.3	75.0
Total, all industries	30,278	32,028	9.1	5.8

*Less than \$0.5 million.

¹These industries correspond to the 49 classified in the Standard Industrial Classification Code 20 (SIC-20).

Source: USDA's Economic Research Service.

Table 4

Canada Is the Largest Source of U.S. Food Imports

Source	Import		Share of processed food imports	Change	
	1997	1998		1996-97	1997-98
	Million dollars		Percent	Percent	
Canada	6,349.0	6,881.7	21.0	12.1	8.4
Mexico	2,085.4	2,360.9	7.4	16.1	13.2
Thailand	1,649.4	1,830.0	5.7	4.1	10.9
France	1,554.3	1,728.3	5.4	13.1	11.2
Italy	1,369.4	1,375.8	4.3	4.7	.5
Australia	837.0	1,019.1	3.2	17.0	21.8
United Kingdom	935.1	1,009.3	3.2	8.5	6.0
The Netherlands	913.2	968.2	3.0	3.5	7.9
New Zealand	864.6	963.1	3.0	10.5	11.4
Philippines	748.4	743.3	2.3	8.9	-7

Source: USDA's Economic Research Service.

Import Sources Remain Stable

Sources of processed food imports are more diverse than U.S. export destinations. The top 10 import sources accounted for 60 percent of total U.S. imports, while the leading 10 export destinations accounted for 67 percent of U.S. exports. Canada is by far the largest supplier of imports with a 21-percent share of the U.S. market, nearly three times larger than second-place Mexico (table 4). Major imports from Canada include meat

products, fish, and vegetable oils. Leading imports from Mexico are fish, beer and distilled spirits, and processed fruits and vegetables. Thailand was the third-largest import supplier in 1998 due to its strong sales of fresh and frozen fish and canned tuna.

For all of 1999, U.S. imports will likely grow slightly faster than in 1998. During the first half of 1999, imports from Canada and Mexico were up 9 percent and 10 percent, respectively. France replaced Thailand as the third-largest import supplier as its imports increased 17 percent. Imports from the United

Kingdom advanced 24 percent, moving that country up into sixth place. And China's processed food sales to the United States grew 22 percent in the first 6 months of 1999, moving that country into the list of top 10 suppliers for the first time.

Reference

Epps, Walter B., and J. Michael Harris. *Processed Food Trade Concordance*. AH-707. U.S. Department of Agriculture, Economic Research Service, March 1995. ■